

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

Table of Contents

		<u>Page</u>
Board of Education and School District Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes		
in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Financial Statements		24-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and		
Changes in Balances - Budget and Actual -		
All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Schedule of Funding Progress for the Retiree Health Plan		39
Other Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	42
Capital Project Accounts:		
Combining Balance Sheet	3	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	45-46
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	6	47
Schedule of Expenditures of Federal Awards	7	48
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed in Accordance with		
<i>Government Auditing Standards</i>		49-50
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on		
Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		51-52
Schedule of Findings and Questioned Costs		53-55

**Davis County Community School District
Board of Education and School District Officials
Year ended June 30, 2011**

Name	Title	Term Expires
Board of Education		
Marty Owen	President	2011
Kenneth Wuthrich	Vice President	2011
Rob Melvin	Board Member	2011
Alan Bodkins	Board Member	2013
Alan Johnson	Board Member	2013
Rod Lynch	Board Member	2013
Sheryl Wright	Board Member	2013
School District Officials		
Kim Johnson	Superintendent	2011
Betsy Bassett	District Secretary/Treasurer and Business Manager	2011
Rick Lynch	Attorney	Indefinite
Danielle Haindfield		



Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012 on our consideration of Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

January 11, 2012

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The district has a solvency ratio of 4.73%. Experts recommend a solvency ratio between 8-12%. The 10% state budget reduction in 2009 continues to influence the solvency ratio.
- Completion of the new high school took place in December 2010. The construction of the high school is being paid using revenue from statewide one cent sales tax.
- The district continued to support professional development for improvement in reading, mathematics, science, technology and character education.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets- the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund; Special Revenue Funds; and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Management's Discussion and Analysis
Davis County Community School District
Year Ended June 30, 2011

Figure A-1 below provides a summary of the District's net assets at June 30, 2011, compared to June 30, 2010.

Figure A-1							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 8,647	11,709	119	126	8,766	11,835	-25.9%
Capital assets	12,774	9,891	122	105	12,896	9,996	29.0%
Total assets	21,421	21,600	241	231	21,662	21,831	-0.8%
Long-term liabilities	10,377	10,348	-	-	10,377	10,348	0.3%
Other liabilities	5,241	5,712	6	4	5,247	5,716	-8.2%
Total liabilities	15,618	16,060	6	4	15,624	16,064	-2.7%
Net assets:							
Invested in capital assets, net of related debt	2,889	4,680	122	105	3,011	4,785	-37.1%
Restricted	2,571	712	-	-	2,571	712	261.1%
Unrestricted	343	148	113	122	456	270	68.9%
Total net assets	\$ 5,803	5,540	235	227	6,038	5,767	4.7%

Financial Analysis of the District as a Whole

The District has strong fund balances and trend data is improving. Experts in school finance recommend a solvency ratio between 8-12% and the District is at 4.73%. Our trend is improving due to expenditures not exceeding revenues for the first time in three years. The District has determined needs in several areas, and is carefully utilizing existing balances to improve those areas. These areas include, but are not limited to increasing student achievement, improving professional development, updating infrastructure needs and maintaining quality staff.

Management's Discussion and Analysis
Davis County Community School District
Year Ended June 30, 2011

Figure A-2 shows the change in net assets for the year ended June 30, 2011, compared to the year ended June 30, 2010.

Figure A-2 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 1,042	772	231	241	1,273	1,013	25.7%
Operating grants, contributions and restricted interest	2,503	2,834	297	284	2,800	3,118	-10.2%
General revenues:							
Property tax	3,401	3,301	-	-	3,401	3,301	3.0%
Local option sales and service tax	811	682	-	-	811	682	18.9%
Unrestricted state grants	4,876	4,123	-	-	4,876	4,123	18.3%
Unrestricted investment earnings	27	39	1	1	28	40	-30.0%
Other	91	43	-	-	91	43	111.6%
Total revenues	12,751	11,794	529	526	13,280	12,320	7.8%
Program expenses:							
Governmental activities:							
Instruction	7,912	8,113	-	-	7,912	8,113	-2.5%
Support services	3,687	3,800	-	-	3,687	3,800	-3.0%
Non-instructional programs	-	-	521	481	521	481	8.3%
Other expenses	925	1,016	-	-	925	1,016	-9.0%
Total expenses	12,524	12,929	521	481	13,045	13,410	-2.7%
Extraordinary item	36	549	-	-	36	549	-93.4%
Change in net assets	\$ 263	(586)	8	45	271	(541)	-150.1%

In the 2010-11 school year:

- The District did considerable infrastructure work utilizing the Physical Plant and Equipment Levy (PPEL) fund and sales tax revenues.
- In addition, the district has committed to upgrading technology district-wide.
- Sidewalk upgrades to the elementary school
- Installation of the greenhouse at the high school
- Completion of a graveled parking lot on the east side of the new high school
- Purchase of a scoreboard for the high school
- Installation of a wheelchair lift for the middle school
- Rental for wash bay for district buses
- Installation of steam-control valve for the old high school

Management's Discussion and Analysis
Davis County Community School District
Year Ended June 30, 2011

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services, non-instructional program and other expenses for the year ended June 30, 2011, compared to the year ended June 30, 2010.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services		Change 2010-2011	Net Cost of Services		Change 2010-2011
	2,010	2010		2,011	2010	
Instruction	\$ 7,912	8,113	-2.5%	4,856	4,964	-2.2%
Support services	3,687	3,800	-3.0%	3,658	3,800	-3.7%
Other expenses	925	1,016	-9.0%	465	559	-16.8%
Totals	\$ 12,524	12,929	-3.1%	8,979	9,323	-3.7%

The cost of all governmental activities this year was \$12,524,000. A decrease of \$405,000 was due to the following:

- Retirement incentive savings for the district of \$268,000
- Decreased Activity Fund expenditures
- Reduction in Special Education expenditures

The portion of the cost financed by users of the District's programs was \$8,979,000.

The net portion of the governmental activities was financed with \$4, 212,000 in property and sales tax and \$4,876,000 in state sources.

Business-Type Activities

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues of the District's business-type activities increased from \$526,092 (2010) to \$529,124 (2011) while expenses increased \$480,456 (2010) to \$521,869 (2011). Revenues increased by \$3,032. This report shows a \$41,413 increase in expenditures from 2010 to 2011.

The District had been able to maintain student lunch process at the same level for several years with careful management and use of government commodities. Lunch prices for the 2010-2011 school year stayed the same. The District has utilized investments to update equipment over the past few years. Federal support for the lunch program was \$244,682 (Free and Reduced lunches).

Financial Analysis of the District Funds

As previously noted the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The General Fund balance was \$883,507 a net increase of \$188,485 from the prior year. The increase was due to the following factors.

- Increased revenues and decreased expenditures
- The Physical Plant and Equipment and Levy (PPEL) and sales tax revenue were utilized for many of the items of infrastructure technology upgrades and building maintenance.

Business-Type Highlights

The School Nutrition Fund change in net assets was \$7,255 due to increased operating expenses and reduction of state revenues. As stated previously, School Nutrition revenues for 2010 were \$526,092 and 2011 were \$529,124. The district received an increase of only \$3,032.

Management's Discussion and Analysis
Davis County Community School District
Year Ended June 30, 2011

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopt a budget following required public notice for all funds, except component units, internal service funds, permanent funds, and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school Districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance of the budgetary concept does not mean the "actual General Fund cash". It is imperative for patrons of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unassigned General Fund balance) of the District.

Capital Asset and Debt Administration

Figure A-4 provides a summary of the District's capital assets.

<p align="center">Figure A-4 Capital Assets, net of Depreciation (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2010	2011	2010	2011	2010	2010-2011
Land	\$ 107	107	-	-	107	107	0.0%
Construction in progress	-	5,376	-	-	-	5,376	-100.0%
Buildings	11,668	3,308	-	-	11,668	3,308	252.7%
Improvements other than buildings	662	678	-	-	662	678	-2.4%
Furniture and equipment	337	422	122	105	459	527	-12.9%
Totals	\$ 12,774	9,891	122	105	12,896	9,996	29.0%

By the end of fiscal year 2011, the District had invested \$12,774,294 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment.

Long Term Debt

Figure A-5 provides a summary of the District's long term debt.

Figure A-5			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
Revenue bonds	\$ 9,525	9,695	-1.8%
Notes	360	-	0.0%
Bond premiums	60	64	-6.3%
Early retirement	358	542	-33.9%
Compensated absences	26	23	13.0%
Net OPEB liability	48	24	100.0%
Totals	\$ 10,377	10,348	0.3%

At year-end, the District had \$10,377,000 in sales tax revenue bond debt and other long-term outstanding debt. This represents an increase from last year. Bond premiums and early retirement decreased, but Other Post Employment Benefits (OPEB) liabilities were added. \$170,000 was paid on the principal debt for the high school building project. The remaining high school building project (principal) balance is \$9,525,000.

The District also elected to borrow \$360,000 as a no interest Rural Economic Development Loan through Southern Iowa Electric Coop. The loan is being repaid at \$10,000 quarterly beginning in January of 2012. Loan repayment will be completed in October of 2020. The loan is being repaid from one cent sales tax funds for Capital Project expenditures.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- Changes in certified enrollment: in the 2010-2011 school year certified enrollment increased by 8 students and in the 2011-12 school year enrollment increased by 13 students. Increased enrollment revenues will be \$123,543 for the two fiscal years.
- Future across-the-board cuts, funding freezes, and low Allowable growth rates
- Employee contract settlements
- Healthcare reform
- Cuts to statewide 4 yr. old preschool
- Healthcare reform
- Increases in employer share of IPERS
- Future bus barn addition, as well as upkeep for the Elementary and Middle School buildings and infrastructure upgrades.
- Requirements of Governor Branstad's Education Reform

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview Of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 S. Washington Street, Bloomfield, Iowa 52537.

Basic Financial Statements

Davis County Community School District
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,384,986	84,160	4,469,146
Receivables:			
Property tax:			
Delinquent	69,137	-	69,137
Succeeding year	3,617,943	-	3,617,943
Accounts	151	-	151
Due from other governments	425,313	-	425,313
Inventories	-	34,563	34,563
Bond issuance costs	148,787	-	148,787
Capital assets, net of accumulated depreciation	12,774,294	121,899	12,896,193
Total assets	21,420,611	240,622	21,661,233
Liabilities			
Accounts payable	137,792	-	137,792
Salaries and benefits payable	1,089,156	4,554	1,093,710
Due to other governments	4,865	-	4,865
Accrued interest payable	231,278	-	231,278
Unearned revenue:			
Succeeding year property tax	3,617,943	-	3,617,943
Other	159,871	-	159,871
Long-term liabilities:			
Portion due within one year:			
Early retirement	156,913	-	156,913
Revenue bonds	265,000	-	265,000
Notes	20,000	-	20,000
Compensated absences	25,613	1,515	27,128
Portion due after one year:			
Bond premiums	60,152	-	60,152
Early retirement	201,114	-	201,114
Revenue bonds	9,260,000	-	9,260,000
Notes	340,000	-	340,000
Net OPEB liability	48,086	-	48,086
Total liabilities	15,617,783	6,069	15,623,852
Net assets			
Invested in capital assets, net of related debt	2,889,294	121,899	3,011,193
Restricted for:			
Management levy purposes	55,844	-	55,844
Physical plant and equipment	74,532	-	74,532
Debt service	276,224	-	276,224
School infrastructure	1,618,145	-	1,618,145
Student activities	191,460	-	191,460
Categorical funding	354,900	-	354,900
Unrestricted	342,429	112,654	455,083
Total net assets	\$ 5,802,828	234,553	6,037,381

See notes to financial statements.

Davis County Community School District
Statement of Activities
Year ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 5,730,311	593,468	1,100,794	(4,036,049)	-	(4,036,049)
Special	1,302,060	104,903	886,564	(310,593)	-	(310,593)
Other	880,154	343,656	27,257	(509,241)	-	(509,241)
	<u>7,912,525</u>	<u>1,042,027</u>	<u>2,014,615</u>	<u>(4,855,883)</u>	<u>-</u>	<u>(4,855,883)</u>
Support Service:						
Student	272,519	-	-	(272,519)	-	(272,519)
Instructional staff	202,502	-	-	(202,502)	-	(202,502)
Administration	1,540,702	-	-	(1,540,702)	-	(1,540,702)
Operating and maintenance of plant	912,366	-	28,092	(884,274)	-	(884,274)
Transportation	758,487	-	-	(758,487)	-	(758,487)
	<u>3,686,576</u>	<u>-</u>	<u>28,092</u>	<u>(3,658,484)</u>	<u>-</u>	<u>(3,658,484)</u>
Other expenditures:						
Long-term debt interest	464,805	-	-	(464,805)	-	(464,805)
AEA flowthrough	460,092	-	460,092	-	-	-
	<u>924,897</u>	<u>-</u>	<u>460,092</u>	<u>(464,805)</u>	<u>-</u>	<u>(464,805)</u>
Total governmental activities	12,523,998	1,042,027	2,502,799	(8,979,172)	-	(8,979,172)
Business type activities:						
Non-instructional programs:						
Food service operations	521,869	231,033	296,974	-	6,138	6,138
Total	<u>\$ 13,045,867</u>	<u>1,273,060</u>	<u>2,799,773</u>	<u>(8,979,172)</u>	<u>6,138</u>	<u>(8,973,034)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 3,319,266	-	3,319,266
Capital outlay				81,439	-	81,439
Statewide sales, services and use tax				811,449	-	811,449
Unrestricted state grants				4,876,074	-	4,876,074
Unrestricted investment earnings				26,753	1,117	27,870
Other				29,691	-	29,691
Gain on disposal of assets				9,964	-	9,964
Contributions not restricted to specific programs				50,956	-	50,956
Total general revenues				<u>9,205,592</u>	<u>1,117</u>	<u>9,206,709</u>
Extraordinary item:						
Storm damage recovery				36,026	-	36,026
Change in net assets				262,446	7,255	269,701
Net assets beginning of year, as restated				<u>5,540,382</u>	<u>227,298</u>	<u>5,767,680</u>
Net assets end of year				<u>\$ 5,802,828</u>	<u>234,553</u>	<u>6,037,381</u>

See notes to financial statements.

Davis County Community School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Capital Projects	Non-Major	Total
Assets					
Cash and pooled investments	\$ 1,972,423	507,502	1,502,809	402,252	4,384,986
Receivables:					
Property tax:					
Delinquent	61,681	-	1,706	5,750	69,137
Succeeding year	3,232,972	-	84,970	300,001	3,617,943
Accounts	151	-	-	-	151
Due from other governments	237,151	-	188,162	-	425,313
Total assets	\$ 5,504,378	507,502	1,777,647	708,003	8,497,530
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 134,007	-	-	3,785	137,792
Salaries and benefits payable	1,089,156	-	-	-	1,089,156
Due to other governments	4,865	-	-	-	4,865
Early retirement payable	-	-	-	156,913	156,913
Deferred revenue:					
Succeeding year property tax	3,232,972	-	84,970	300,001	3,617,943
Other	159,871	-	-	-	159,871
Total liabilities	4,620,871	-	84,970	460,699	5,166,540
Fund balances:					
Restricted for:					
Categorical funding	354,900	-	-	-	354,900
Debt service	-	507,502	803,030	-	1,310,532
Management levy purposes	-	-	-	55,844	55,844
Student activities	-	-	-	191,460	191,460
School infrastructure	-	-	815,115	-	815,115
Physical plant and equipment	-	-	74,532	-	74,532
Unassigned	528,607	-	-	-	528,607
Total fund balances	883,507	507,502	1,692,677	247,304	3,330,990
Total liabilities and fund balances	\$ 5,504,378	507,502	1,777,647	708,003	8,497,530

See notes to financial statements.

Exhibit D

**Davis County Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2011**

Total fund balances of governmental funds	\$ 3,330,990
--	---------------------

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,774,294
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(231,278)
--	-----------

Long-term liabilities, including bonds payable, early retirement, compensated absences and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

Revenue bonds payable	\$ (9,525,000)	
Notes payable	(360,000)	
Bond issuance costs	148,787	
Bond premiums	(60,152)	
Early retirement	(201,114)	
Compensated absences	(25,613)	
Other postemployment benefits	(48,086)	(10,071,178)
	<hr/>	<hr/>

Net assets of governmental activities	\$ 5,802,828
--	---------------------

See notes to financial statements.

Exhibit E

Davis County Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2011

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local sources:					
Local tax	\$ 3,036,907	-	892,888	282,359	4,212,154
Tuition	556,696	-	-	-	556,696
Other	188,787	266	37,642	363,558	590,253
State sources	6,366,428	-	2,868	206	6,369,502
Federal sources	986,566	-	25,283	-	1,011,849
Total revenues	11,135,384	266	958,681	646,123	12,740,454
Expenditures:					
Current:					
Instruction:					
Regular	5,449,810	-	-	132,182	5,581,992
Special	1,275,892	-	-	-	1,275,892
Other	527,263	-	-	321,231	848,494
	7,252,965	-	-	453,413	7,706,378
Support services:					
Student	270,702	-	-	-	270,702
Instructional staff	166,077	-	-	-	166,077
Administration	1,330,487	-	72,481	139,518	1,542,486
Operation and maintenance of plant	844,358	-	28,891	38,915	912,164
Transportation	658,444	-	-	12,302	670,746
	3,270,068	-	101,372	190,735	3,562,175
Other expenditures:					
Facilities acquisition	-	-	3,344,398	-	3,344,398
Long-term debt:					
Principal	-	170,000	-	-	170,000
Interest and fiscal charges	-	468,630	-	-	468,630
AEA flowthrough	460,092	-	-	-	460,092
	460,092	638,630	3,344,398	-	4,443,120
Total expenditures	10,983,125	638,630	3,445,770	644,148	15,711,673
Excess (deficiency) of revenues over (under) expenditures	152,259	(638,364)	(2,487,089)	1,975	(2,971,219)
Other financing sources (uses):					
Rural economic development loan	-	-	360,000	-	360,000
Sale of equipment	200	-	14,538	-	14,738
Storm damage recovery	36,026	-	-	-	36,026
Operating transfers in	-	728,305	-	-	728,305
Operating transfers out	-	-	(728,305)	-	(728,305)
Total other financing sources (uses)	36,226	728,305	(353,767)	-	410,764
Net change in fund balances	188,485	89,941	(2,840,856)	1,975	(2,560,455)
Fund balances beginning of year, as restated	695,022	417,561	4,533,533	245,329	5,891,445
Fund balances end of year	\$ 883,507	507,502	1,692,677	247,304	3,330,990

See notes to financial statements.

Davis County Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2011

Net change in fund balances - total governmental funds **\$ (2,560,455)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	3,372,095	
Sale of equipment		(14,738)	
Gain (loss) on disposal of assets		9,964	
Depreciation expense		<u>(483,896)</u>	2,883,425

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Principal received		(360,000)	
Principal repaid		170,000	
Amortization of bond issuance costs		(7,831)	
Amortization of bond premiums		<u>3,166</u>	(194,665)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,825

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		156,875	
Compensated absences		(2,782)	
Other postemployment benefits		<u>(23,777)</u>	130,316

Change in net assets of governmental activities **\$ 262,446**

See notes to financial statements.

Exhibit G

Davis County Community School District
Statement of Net Assets
Proprietary Fund
June 30, 2011

	School Nutrition
Assets	
Cash and cash equivalents	\$ 84,160
Inventories	34,563
Capital assets, net of accumulated depreciation	121,899
Total assets	240,622
Liabilities	
Salaries and benefits payable	4,554
Compensated absences	1,515
Total liabilities	6,069
Net Assets	
Invested in capital assets	121,899
Unrestricted	112,654
Total net assets	\$ 234,553

See notes to financial statements.

Exhibit H

Davis County Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2011

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 231,033
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	196,887
Benefits	44,209
Purchased services	10,084
Supplies	253,639
Depreciation	16,960
Miscellaneous	90
Total operating expenses	521,869
Operating loss	(290,836)
Non-operating revenues:	
Interest income	1,117
State sources	5,196
Federal sources	291,778
	298,091
Change in net assets	7,255
Net assets beginning of year	227,298
Net assets end of year	\$ 234,553

See notes to financial statements.

Exhibit I

**Davis County Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2011**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 231,033
Cash payments to employees for services	(238,121)
Cash payments to suppliers for goods or services	(226,518)
Net cash used by operating activities	(233,606)
Cash flows from non-capital financing activities:	
State grants received	5,196
Federal grants received	244,682
Net cash provided by non-capital financing activities	249,878
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(33,684)
Net cash used by capital and related financing activities	(33,684)
Cash flows from investing activities:	
Interest on investments	1,117
Net cash used by investing activities	1,117
Net decrease in cash and cash equivalents	(16,295)
Cash and cash equivalents at beginning of year	100,455
Cash and cash equivalents at end of year	\$ 84,160
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (290,836)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	47,096
Depreciation	16,960
(Increase) in inventories	(9,311)
(Decrease) in accounts payable	(490)
Increase in salaries and benefits payable	2,833
Increase in compensated absences	142
Net cash used by operating activities	\$ (233,606)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and cash equivalents	\$ 84,160
Cash and cash equivalents at year end	\$ 84,160

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$47,096 of federal commodities.

See notes to financial statements.

Exhibit J

Davis County Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 3,387
Total assets	<u>\$ 3,387</u>
Net Assets	
Reserved for scholarships	<u>\$ 3,387</u>

See notes to financial statements.

Exhibit K

Davis County Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 40
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	150
Change in net assets	(110)
Net assets beginning of year	3,497
Net assets end of year	\$ 3,387

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-K through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments as follows:

Success Bank Certificate of Deposit	\$	2,605
Community First Bank Certificate of Deposit		3,177
Iowa Schools Joint Investment Trust		
Diversified Portfolio		220,928
Bankers Trust ISJIT		
Diversified Portfolio		1,299,715
	\$	<u>1,526,425</u>

The investments in the Iowa School Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 728,305

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Construction in progress	5,375,852	-	5,375,852	-
Total capital assets not being depreciated	5,483,127	-	5,375,852	107,275
Capital assets being depreciated:				
Buildings	6,223,399	8,652,931	-	14,876,330
Improvements other than buildings	1,806,588	58,212	3,768	1,861,032
Furniture and equipment	2,012,436	36,804	127,053	1,922,187
Total capital assets being depreciated	10,042,423	8,747,947	130,821	18,659,549
Less accumulated depreciation for:				
Buildings	2,915,078	293,326	-	3,208,404
Improvements other than buildings	1,128,710	70,427	186	1,198,951
Furniture and equipment	1,590,893	120,143	125,861	1,585,175
Total accumulated depreciation	5,634,681	483,896	126,047	5,992,530
Total capital assets being depreciated, net	4,407,742	8,264,051	4,774	12,667,019
Governmental activities capital assets, net	\$ 9,890,869	8,264,051	5,380,626	12,774,294
Business type activities:				
Furniture and equipment	\$ 267,291	33,684	-	300,975
Less accumulated depreciation	162,116	16,960	-	179,076
Business type activities capital assets, net	\$ 105,175	16,724	-	121,899

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 258,499
Special	23,483
Other	31,660

Support services:

Student	1,050
Instructional staff	36,425
Administration	24,008
Operation and maintenance of plant	4,498
Transportation	104,273

Total depreciation expense - governmental activities	\$ 483,896
--	------------

Business type activities:

Food service operations	\$ 16,960
-------------------------	-----------

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 9,695,000	-	170,000	9,525,000	265,000
Rural economic development loan	-	360,000	-	360,000	20,000
Early retirement	542,235	-	184,208	358,027	156,913
Compensated absences	22,831	25,613	22,831	25,613	25,613
Net OPEB liability	24,309	23,777	-	48,086	-
Total	\$ 10,284,375	409,390	377,039	10,316,726	467,526
Business type activities:					
Compensated absences	\$ 1,373	1,515	1,373	1,515	1,515
	\$ 1,373	1,515	1,373	1,515	1,515

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, service and use tax revenue bonded indebtedness are as follows:

Bond Issue of June 22, 2009					
Year Ending June 30,	Interest Rates	Principal	Interest	Total	
2012	4.50%	\$ 265,000	456,593	721,593	
2013	4.50	280,000	444,330	724,330	
2014	4.50	365,000	429,817	794,817	
2015	4.50	380,000	413,055	793,055	
2016	4.50	395,000	395,618	790,618	
2017	4.50	415,000	377,392	792,392	
2018	4.50	430,000	358,380	788,380	
2019	4.30	445,000	339,138	784,138	
2020	4.50	465,000	319,107	784,107	
2021	4.60	485,000	297,490	782,490	
2022	5.00	510,000	273,585	783,585	
2023	5.00	530,000	247,585	777,585	
2024	5.00	555,000	220,460	775,460	
2025	5.00	585,000	191,960	776,960	
2026	5.00	620,000	161,835	781,835	
2027	5.20	650,000	129,435	779,435	
2028	5.20	680,000	94,855	774,855	
2029	5.25	720,000	58,275	778,275	
2030	5.25	750,000	19,687	769,687	
Total		\$ 9,525,000	5,228,597	14,753,597	

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,695,000 of bonds issued in June, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$14,753,597. For the current year, \$170,000 of principal and \$466,380 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$811,449.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$803,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Notes

Details of the District's June 30, 2011 Rural Economic Development loan indebtedness are as follows:

Note Issue of December, 2010					
Year Ending June 30,	Interest Rates	Principal	Interest	Total	
2012	0.00%	\$ 20,000	-	20,000	
2013	0.00%	40,000	-	40,000	
2014	0.00%	40,000	-	40,000	
2015	0.00%	40,000	-	40,000	
2016	0.00%	40,000	-	40,000	
2017	0.00%	40,000	-	40,000	
2018	0.00%	40,000	-	40,000	
2019	0.00%	40,000	-	40,000	
2020	0.00%	40,000	-	40,000	
2021	0.00%	20,000	-	20,000	
Total		\$ 360,000	-	360,000	

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$512,042, \$506,812, and \$462,349, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 34,263
Interest on net OPEB obligation	608
Adjustment to annual required contribution	(1,140)
Annual OPEB cost	33,731
Contributions made	(9,954)
Increase in net OPEB obligation	23,777
Net OPEB obligation beginning of year	24,309
Net OPEB obligation end of year	\$ 48,086

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 34,263	29.10%	\$ 24,309
June 30, 2011	33,731	29.51%	48,086

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$345,459, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$345,459. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,500,000, and the ratio of the UAAL to covered payroll was 4.6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

(8) Termination Benefits

The District offered a voluntary early retirement plan for certified employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 was a \$20,000 cash benefit payable over four (4) annual installments of \$5,000 each. Option 2 was a \$20,000 cash benefit payable over five (5) annual installments of \$4,000 each. Early retirement benefits paid during the year ended June 30, 2011, totaled \$184,208.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$460,092 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Related Party Transactions

The District had business transactions totaling \$31,810 between the District and District officials during the year ended June 30, 2011.

(12) Subsequent Event

The District was involved in legal action over a workers' compensation claim. The claim was settled after June 30, 2011 by the District's insurance carrier in the amount of \$60,500.

(13) Accounting Change/Restatement

The total beginning net assets of governmental activities, the beginning General Fund balance was decreased by \$5,629 and the beginning Capital Projects Fund balance was decreased by \$50 due to a recalculation of prior year payables.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 4,483,746	49,787
Change in fund type classification per implementation of GASB Statement No. 54	49,787	(49,787)
Balances July 1, 2010, as restated	\$ 4,533,533	-

Required Supplementary Information

Davis County Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original and Final	Variance Favorable (Unfavorable)
Revenues:					
Local sources	\$ 5,359,103	232,150	5,591,253	5,319,179	272,074
State sources	6,369,502	5,196	6,374,698	6,852,991	(478,293)
Federal sources	1,011,849	291,778	1,303,627	1,145,500	158,127
Total revenues	12,740,454	529,124	13,269,578	13,317,670	(48,092)
Expenditures:					
Instruction	7,706,378	-	7,706,378	8,185,591	479,213
Support services	3,562,175	-	3,562,175	4,597,874	1,035,699
Non-instructional programs	-	521,869	521,869	757,013	235,144
Other expenditures	4,443,120	-	4,443,120	8,617,391	4,174,271
Total expenditures	15,711,673	521,869	16,233,542	22,157,869	5,924,327
Excess (deficiency) of revenues over (under) expenditures	(2,971,219)	7,255	(2,963,964)	(8,840,199)	(5,876,235)
Other financing sources, net	410,764	-	410,764	-	(410,764)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,560,455)	7,255	(2,553,200)	(8,840,199)	(6,286,999)
Balances beginning of year, as restated	5,891,445	227,298	6,118,743	9,288,040	3,169,297
Balances end of year	\$ 3,330,990	234,553	3,565,543	447,841	(3,117,702)

See accompanying independent auditor's report.

Davis County Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Davis County Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	345,459	345,459	0.0%	\$ 7,500,000	4.6%
2011	July 1, 2008	-	345,459	345,459	0.0%	7,500,000	4.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Schedule 1

Davis County Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 208,045	194,207	402,252
Receivables:			
Property tax:			
Delinquent	5,750	-	5,750
Succeeding year	300,001	-	300,001
Total assets	\$ 513,796	194,207	708,003
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,038	2,747	3,785
Early retirement payable	156,913	-	156,913
Deferred revenue:			
Succeeding year property tax	300,001	-	300,001
Total liabilities	457,952	2,747	460,699
Fund Balances:			
Restricted for:			
Management levy purposes	55,844	-	55,844
Student activities	-	191,460	191,460
Total fund balances	55,844	191,460	247,304
Total liabilities and fund balances	\$ 513,796	194,207	708,003

See accompanying independent auditor's report.

Schedule 2

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 282,359	-	282,359
Other	17,488	346,070	363,558
State sources	206	-	206
Total revenues	300,053	346,070	646,123
Expenditures:			
Current:			
Instruction:			
Regular	132,182	-	132,182
Other	-	321,231	321,231
Support services:			
Administration	137,298	2,220	139,518
Operating and maintenance of plant	38,915	-	38,915
Transportation	12,302	-	12,302
Total expenditures	320,697	323,451	644,148
Excess (deficiency) of revenues over (under) expenditures	(20,644)	22,619	1,975
Fund balance beginning of year, as restated	76,488	168,841	245,329
Fund balance end of year	\$ 55,844	191,460	247,304

See accompanying independent auditor's report.

Schedule 3

Davis County Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2011

		Capital Projects		
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments		\$ 1,429,983	72,826	1,502,809
Receivables:				
Property tax:				
Current year delinquent		-	1,706	1,706
Succeeding year		-	84,970	84,970
Due from other governments		188,162	-	188,162
Total assets		\$ 1,618,145	159,502	1,777,647
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax		\$ -	84,970	84,970
Total liabilities		-	84,970	84,970
Fund balances:				
Restricted for:				
Debt service		803,030	-	803,030
School infrastructure		815,115	-	815,115
Physical plant and equipment		-	74,532	74,532
Total fund balances		1,618,145	74,532	1,692,677
Total liabilities and fund balances		\$ 1,618,145	159,502	1,777,647

See accompanying independent auditor's report.

Schedule 4

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 811,449	81,439	892,888
Other	18,938	18,704	37,642
State sources	2,809	59	2,868
Federal sources	25,283	-	25,283
Total revenues	858,479	100,202	958,681
Expenditures:			
Current:			
Instruction:			
Support Services:			
Administration	72,481	-	72,481
Operation and maintenance of plant	-	28,891	28,891
Other expenditures:			
Facilities acquisition	3,297,832	46,566	3,344,398
Total expenditures	3,370,313	75,457	3,445,770
Excess (deficiency) of revenues over (under) expenditures	(2,511,834)	24,745	(2,487,089)
Other financing sources (uses)			
Rural economic development loan	360,000	-	360,000
Proceeds from sale of assets	14,538	-	14,538
Operating transfers in (out)	(728,305)	-	(728,305)
Total other financing sources (uses)	(353,767)	-	(353,767)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,865,601)	24,745	(2,840,856)
Fund balances beginning of year, as restated	4,483,746	49,787	4,533,533
Fund balances end of year	\$ 1,618,145	74,532	1,692,677

See accompanying independent auditor's report.

Schedule 5

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Intrafund Transfers	Revenues	Expenditures	Balance End of Year
Senior High					
Yearbook	\$ 12,496	15	6,950	8,868	10,593
Concessions	6,139	(1,772)	35,569	23,335	16,601
Mustang Media	620	-	395	585	430
Mustang Pride Day	132	-	50	130	52
Athletics	17,088	(10,802)	87,677	69,383	24,580
Football	1,575	2,300	15,448	15,746	3,577
Baseball	3,006	800	8,580	8,063	4,323
Boys' Track	1,638	625	-	2,249	14
Wrestling	676	368	6,485	3,508	4,021
Cross Country	3,361	200	1,599	1,723	3,437
Girls' Basketball	3,474	1,491	4,159	6,548	2,576
Boys' Basketball	2,020	1,719	2,220	4,758	1,201
Girls' Softball	1,307	2,150	4,739	4,154	4,042
Girls' Track	1,649	600	1,632	2,779	1,102
Girls' Volleyball	2,627	1,130	11,113	8,686	6,184
Instrumental Music	7,152	-	17,542	18,901	5,793
Soda	1,892	(828)	2,452	1,676	1,840
Vocal Music	3,686	(296)	4,516	7,378	528
Speech	33	350	-	286	97
3 Act Play	817	320	129	-	1,266
Future Farmers of America	15,444	270	38,161	36,505	17,370
Quiz Bowl	15	-	8	-	23
National Honor Society	20	-	-	-	20
Cheerleading	6,129	-	12,787	12,297	6,619
Spanish Club	1,200	-	1,016	125	2,091
Student Council	1,241	(15)	52	638	640
Art Club	659	600	6,833	8,036	56
Girls' Tennis	1,027	200	-	-	1,227
Boys' Tennis	991	200	-	426	765
Class of 2010	966	-	-	966	-
Class of 2011	1,733	(3,541)	3,972	1,771	393
Class of 2012	839	3,541	8,870	10,625	2,625
Class of 2013	164	-	258	65	357
Class of 2014	69	-	154	25	198
Class of 2015	-	-	66	-	66
Future Educators of America	688	1,532	627	878	1,969
Girls' Golf	1,332	200	226	482	1,276
Octagon Club	30	-	-	-	30
High School Academics	3,829	187	5,704	8,029	1,691
HS Milk	240	-	3,709	1,473	2,476
HS Miscellaneous	12	(212)	200	-	-
HS Letter jackets	545	-	3,573	2,626	1,492

Schedule 5

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Intrafund Transfers	Revenues	Expenditures	Balance End of Year
Home Ec Labs	1,760	(1,532)	266	494	-
IA Science Club	1,430	-	1,170	1,985	615
Dollars For Scholars	830	-	1,902	2,220	512
Boys' Golf	944	470	166	1,071	509
Subtotal	113,525	270	300,975	279,493	135,277
Middle School					
Athletics	3,605	130	10,372	12,012	2,095
Vocal Music	4,003	-	3,255	1,957	5,301
Instrumental Music	1,631	-	446	1,131	946
Student Council	1,340	-	1,908	1,885	1,363
Yearbook	5,270	-	2,896	5,536	2,630
7th/8th Football	375	-	640	60	955
7th/8th Girls Basketball	1,120	-	-	1,115	5
7th/8th Boys' Basketball	61	-	-	-	61
Cross Country	162	-	-	-	162
Girls' Track	217	-	-	-	217
8th Volleyball	683	(650)	-	-	33
Wrestling	28	-	-	-	28
Student Council Pop Cans	112	-	22	-	134
Middle School Academics	9,375	-	12,524	9,502	12,397
Middle School Milk	1,403	-	5,680	4,752	2,331
Mutchler Rental	605	250	-	-	855
Gifted/Talented	1,172	-	-	-	1,172
Subtotal	31,162	(270)	37,743	37,950	30,685
Bloomfield Elementary					
Academics	23,484	-	5,520	3,984	25,020
Elementary Pop	230	-	-	-	230
Home School	270	-	1,832	2,024	78
Interest	170	-	-	-	170
Subtotal	24,154	-	7,352	6,008	25,498
Total	\$ 168,841	-	346,070	323,451	191,460

See accompanying independent auditor's report.

Davis County Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 4,212,154	3,982,845	3,912,580	3,661,556	3,759,205	3,692,023	3,298,803	2,868,349	2,905,572	2,890,837
Tuition	556,696	426,341	450,219	476,889	523,010	600,186	560,369	426,545	369,288	281,188
Other	590,253	458,279	530,792	467,508	445,742	403,411	374,513	370,043	347,262	412,444
State sources	6,369,502	5,498,043	6,539,708	5,914,312	5,810,933	5,515,711	5,588,939	5,174,073	5,290,080	5,243,622
Federal sources	1,011,849	1,461,585	761,386	690,483	786,793	1,029,880	1,390,813	649,006	673,138	484,832
Total	\$ 12,740,454	11,827,093	12,194,685	11,210,748	11,325,683	11,241,211	11,213,437	9,488,016	9,585,340	9,312,923
Expenditures:										
Instruction:										
Regular	\$ 5,581,992	5,908,935	5,670,214	5,323,249	5,067,509	4,937,473	4,061,128	3,836,553	3,514,299	3,443,224
Special	1,275,892	1,457,209	1,430,994	1,393,701	1,234,633	1,385,202	2,012,697	1,783,994	1,579,726	1,518,410
Other	848,494	586,024	474,335	457,030	426,860	437,152	1,011,658	806,413	816,751	726,947
Support services:										
Student	270,702	265,204	261,647	300,165	283,987	257,427	275,258	229,569	190,222	209,942
Instructional staff	166,077	217,841	180,304	150,229	161,232	126,382	270,315	263,706	231,455	300,584
Administration	1,542,486	1,436,589	1,432,204	1,474,623	1,413,251	1,436,205	1,264,451	990,996	943,032	968,571
Operation and maintenance of plant	912,164	996,407	718,539	723,406	691,604	619,083	617,424	605,722	565,106	589,564
Transportation	670,746	785,356	789,870	919,032	805,241	709,096	619,903	597,750	534,063	622,570
Food service operations	-	-	-	-	-	3,690	8,241	8,055	9,300	8,308
Other expenditures:										
Facilities acquisition	3,344,398	5,521,775	793,262	252,576	363,879	684,979	1,169,972	214,957	31,572	18,250
Long-term debt:										
Principal	170,000	-	255,000	250,000	245,000	245,000	240,000	240,000	205,000	205,000
Interest and other charges	468,630	248,108	172,939	14,527	20,138	25,620	29,990	36,070	77,360	84,898
AEA flowthrough	460,092	456,463	422,045	395,919	371,339	355,258	355,649	342,137	367,023	366,645
Total	\$ 15,711,673	17,879,911	12,601,353	11,654,457	11,084,673	11,222,567	11,936,686	9,955,922	9,064,909	9,062,913

See accompanying independent auditor's report.

Schedule 7

Davis County Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	38,803
National School Lunch Program	10.555	FY 11	252,975 *
			<u>291,778</u>
Rural Economic Development Loans and Grants	10.854	FY 11	<u>360,000</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 11	325,780
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	148,185
			<u>473,965</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>24,406</u>
Rural Education Achievement Program	84.358	FY 11	<u>29,319</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>91,317</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>7,456</u>
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY 11	62,829
ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	FY 11	53,150
			<u>115,979</u>
Education Jobs Fund	84.410	FY 11	<u>67,954</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 11	<u>62,236</u>
Enhancing Education Through Technology	84.318	FY 11	<u>200</u>
U.S. Department of Homeland Security			
Iowa Department of Education:			
Public Assistance Grants - FEMA Disaster Assistance	97.036	FY 11	<u>25,283</u>
Total			<u>\$ 1,549,893</u>

* Includes \$47,096 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



705 Main Street

Pella, IA 50219

641-628-3737

www.vanmaanencpa.com

Van Maanen, Sietstra & Meyer, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Davis County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

January 11, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of Davis County Community School District:

Compliance

We have audited Davis County Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Davis County Community School District's major federal programs for the year ended June 30, 2011. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Davis County Community School District's management. Our responsibility is to express an opinion on Davis County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County Community School District's compliance with those requirements.

In our opinion, Davis County Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Davis County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Davis County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

January 11, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Clustered Programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – Title I Grants to Local Educational Agencies – ARRA
 - CFDA Number 10.854 – Rural Economic Development Loans and Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Davis County Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budget amounts.
- IV-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Lynch, Brother to Board Member Rod Lynch Lynch Law Office	Legal Services	\$16,980
Jeff Owen, Son of Board Member Marty Owen Bredeaux Pizza	Food	5,186
Don Huggins, Brother-in-law of Director of Support Services Dan Roberts Huggins Electric	Electrical Services	9,644

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

IV-G-11 Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.

Recommendation – The certified enrollment data should be corrected.

Response – We will attempt to correct certified enrollment errors in the future.

Conclusion – Response accepted.

IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-11 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	4,483,746
Revenues/transfers in:			
Sales tax revenues	\$	811,449	
Other local revenues		33,476	
Other state revenues		2,809	
Federal revenues		25,283	
Sale of long-term debt		360,000	1,233,017
			<u>5,716,763</u>
Expenditures/transfers out:			
School infrastructure construction		3,297,832	
Other		72,481	
Transfers to other funds:			
Debt service funds		728,305	4,098,618
			<u>4,098,618</u>
Ending balance		\$	<u>1,618,145</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy	
	Reduction Per	
	\$1,000 of	
	Taxable	Property Tax
	Valuation	Dollars Reduced
Debt service levy	\$ 3.39024	811,449